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SUSPENSE 19 August
Date

Remarks:

Please inform this office of names
of representatives at 23 August meeting.

Executive Secretary

18 August 1982

Date

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8/18/82
After address
called over to
Jeanne Hickie

Chief, Energy
Markets Div

NSC review completed.

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NATIONAL SECURITY COUNCIL INFORMATION

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MEMORANDUM

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NATIONAL SECURITY COUNCIL

August 17, 1982

MEMORANDUM FOR L. PAUL BREMER II

Executive Secretary
Department of StateDAVID PICKFORD
Executive Secretary
Department of the TreasuryLTC RICHARD HIGGINS
Assistant for Interagency Matters
Office of the Secretary of DefenseSTEPHEN SHIPLEY
Executive Assistant to the Secretary
Department of the InteriorJEAN JONES
Director, Executive Secretariat
Department of CommerceWILLIAM V. VITALE
Director, Office of the Executive Secretariat
Department of EnergyWILLIAM SCHNEIDER
Associate Director for National Security and
International Affairs
Office of Management and BudgetTHOMAS B. CORMACK
Executive Secretary
Central Intelligence AgencyROGER PORTER
Special Assistant to the President
for Policy DevelopmentBENJAMIN ZYCHER
Special Assistant to the Chairman
Council of Economic AdvisorsCOL GEORGE A. JOULWAN
Executive Assistant to the Chairman
Joint Chiefs of StaffSHEILA DRYDEN
Special Assistant to the Director
Federal Emergency Management Agency

SUBJECT:

Meeting of NSSD-9-82, Overview Group
Monday, August 23, 1982 -- 2:00 P.M.
Situation Room, The White House (TS)TS820332
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The next meeting of the Overview Group for NSSD-9 is scheduled for Monday, August 23, at 2:00 P.M. in the White House Situation Room. (TS)

The meeting will focus on the attached papers:

- The second draft of Part II-D (TS)
- The first drafts of Part III-A (TS)
 - Part III-B-1 (TS)
 - Part III-B-2 (three sections) (TS)
 - Part III-B-3 and 4 (TS)

In addition, the attached discussion paper will serve to focus our consideration of Part III B-1 and 2. (TS)

Participation in this meeting should be at the Deputy Assistant Secretary level or above and limited to two people per agency. Please inform Jeanne Hickie (395-6961) who will represent your agency at the meeting. (TS)

Michael O. Wheeler

Michael O. Wheeler
Staff Secretary

Attachments

NSSD-9 Part II-D
Part III-B-1
Part III-B-2 (three sections)
Part III-B-3 and 4

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Discussion Paper for NSSD-9 Consideration of Part III

The objectives of U.S. energy security policy in an emergency are:

- To rely on the (domestic and international) marketplace as a first and, hopefully, sufficient line of defense. (S)
- To intervene, if necessary, in ways that do not directly interfere with the market (e.g., revenue recycle instead of price/allocation controls) or, if they do interfere as may become necessary in the most severe crisis, that involve the least possible costs to market efficiency and restore the market to free operation again as soon as possible. (S)

To accomplish these objectives, policies should aim to:

- Improve the efficiency of the operation of the market in pre-crisis circumstances so that this market has the best chance to function effectively to keep effects (e.g., price increases) in a disruption from exceeding the limits of political consensus in the U.S. and within the alliance. (S)
- Ensure that programs which are developed to intervene if necessary, do not discourage market efficient behavior in pre-crisis circumstances. (S)
- Raise the threshold of effects in a disruption, especially price effects, which the political consensus (both domestically and internationally) will tolerate by ensuring that programs to intervene, which do not interfere directly with the market, are credible and convincing. (S)
- Develop, for internal purposes only, the least costly ways to intervene directly in the marketplace if the threshold of political consensus is breached in a crisis, so as to ensure that in these worst circumstances, the Administration will not have to accept a legislatively imposed program for price/allocation controls. (S)

Part III B-1 is considering policies to achieve the most efficient operation of the market in pre-crisis and, hence, initial post-crisis circumstances. These policies include: (S)

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- Removing disincentives to private stockpiling. (C)
- Improving demand elasticities or market responsiveness in each energy sector (oil, coal, etc.) and for inter-sector (inter-fuel) substitution. (C)
- Monitoring changes in the international oil market that might reduce flexibility in moving supplies around in a crisis. (C)
- Understanding and developing the full potential of future markets as a means of buying insurance against oil price increases in a crisis. (C)
- International programs in IEA to encourage other countries to adopt market pricing policies for energy, to increase stocks, etc. (C)

Part III B-2 is considering policies to intervene, if necessary, which do not discourage market efficient behavior in a pre-crisis situation, which raise the threshold of price risks which may be tolerated in a crisis, and which do the least possible damage to the market when they are used. These include: (C)

- Use of SPR (C)
- Revenue Recycle (C)
- Removing impediments to market adjustment (relax pollution controls, etc.) (C)
- Targeted and temporary price/allocation controls for more severe crises. (C)
- Improving IEA emergency system so that if it is used, it will do least harm to the market. (C)

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